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December 15, 2023

Ms. Vanessa Countryman  
Secretary  
US Securities and Exchange Commission  
100 F Street NE  
Washington, D.C. 20549-1090

*Re: Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change Relating to Dissemination of Information on Individual Transactions in US Treasury Securities and Related Fees (File No. SR-FINRA-2023-015)*

Dear Ms. Countryman:

The Investment Company Institute<sup>1</sup> appreciates the opportunity to comment on the Financial Industry Regulatory Authority's (FINRA) proposed rule changes that would allow FINRA to disseminate transaction-level data in certain US Treasury securities on an end-of-the-day basis.<sup>2</sup> ICI members, including registered investment companies ("funds"), are among the most significant investors in the US Treasury markets and transact in US Treasury securities for many reasons, including to obtain desired exposure, hedge risk, diversify portfolios, and/or protect capital. Like all other market participants, funds value robust Treasury market liquidity and thus

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<sup>1</sup> The [Investment Company Institute](http://www.ici.org) (ICI) is the leading association representing regulated investment funds. ICI's mission is to strengthen the foundation of the asset management industry for the ultimate benefit of the long-term individual investor. ICI's members include mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and UCITS and similar funds offered to investors all in other jurisdictions. Its members manage \$29.9 trillion invested in funds registered under the US Investment Company Act of 1940, serving more than 100 million investors. Members manage an additional \$8.5 trillion in regulated fund assets managed outside the United States. ICI also represents its members in their capacity as investment advisers to certain collective investment trusts (CITs) and retail separately managed accounts (SMAs). ICI has offices in Washington DC, Brussels, and London, and carries out its international work through [ICI Global](http://www.ici-global.com).

<sup>2</sup> *Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change Relating to Dissemination of Information on Individual Transactions in U.S. Treasury Securities and Related Fees*, Exchange Act Release No. 34-98859 (Nov. 3, 2023), 88 Fed. Reg. 77388 (Nov. 9, 2023), available at <https://www.finra.org/sites/default/files/2023-11/FINRA-2023-015-federal-register-notice.pdf> ("FINRA Proposal"). Our comments on this proposal are consistent with, and reflect in part, our comments to the US Department of the Treasury ("Treasury Department") on its 2022 request for information on additional post-trade transparency of data regarding secondary market transactions in Treasury securities. Letter from Sarah A. Bessin, Associate General Counsel, ICI, to Office of the Assistant Secretary for Financial Markets, Department of the Treasury (Aug. 19, 2022) ("ICI Treasury RFI Letter"), available at <https://www.regulations.gov/comment/TREAS-DO-2022-0012-0005>.

support measures that maintain and promote such liquidity, including the public dissemination of post-trade Treasury market data.

Based on the recommendations of the US Treasury Department and various market participants, FINRA seeks to enhance its public dissemination of aggregate Treasury market data to include transaction-level data. FINRA and the US Treasury department consider this enhancement to be an “appropriate next step” in increasing US Treasury market transparency, which they believe will benefit market liquidity and resilience.<sup>3</sup> Specifically, FINRA believes that additional granularity may “create a more level playing field, increase understanding of market activity, [] reduce transaction costs, and assist in price efficiency and valuation.”<sup>4</sup>

ICI members hold a range of views related to the risks and benefits associated with enhanced public transparency of post-trade Treasury market activity.<sup>5</sup> Transaction-level transparency may help funds better assess trading conditions, obtain better prices, improve transaction cost analysis, and build forward-looking models to minimize transaction costs. At the same time, most members also believe that disclosing transaction-level information requires careful consideration about the scope, form, and manner through which such disclosure occurs. Absent such consideration, many members are concerned that publicly releasing such data—especially for less-liquid Treasury securities—may introduce risk of information leakage that may result in front-running and other predatory trading practices, which are harmful to market liquidity. For these reasons, disseminating transaction data must be carefully calibrated through various measures, such that the potential risks are mitigated and do not outweigh the benefits to the Treasury market and investors.

We support FINRA’s proposed approach to publicly disseminate transaction-level data, as it incorporates measures to address information leakage concerns. In our view, these measures in tandem strike an appropriate balance between the risks and benefits of transaction-level dissemination. First, we support limiting the scope of eligible US Treasury securities to On-the-Run Nominal Coupons, as defined by FINRA, as they represent the most highly liquid segment of the market and, as a general matter, present fewer concerns than disseminating transaction level information about off-the-run and more thinly traded Treasury securities. Second, many ICI members support the application of an end-of-the-day dissemination delay for all transactions in On-the-Run Nominal Coupons, which should provide sufficient time to allow market participants to hedge their exposure and prevent potential price distortions in the market for these securities. Additionally, most members support the application of dissemination cap levels, which as

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<sup>3</sup> FINRA Proposal at 77389, 77394.

<sup>4</sup> *Id.* at 77392.

<sup>5</sup> These views may be informed, among other things, by a firm’s trading style, typical transaction size, and investment strategy. ICI members currently support the public dissemination of aggregated data about Treasury market transactions on a daily basis.

proposed appear to correspond to the liquidity profiles of the respective on-the-run Treasury securities.

We appreciate the additional information that FINRA has provided on the proposed dissemination caps, which includes identifying the other types of factors used to calibrate the cap levels.<sup>6</sup> Moving forward, we urge FINRA to share further relevant data and analysis, such as any the quantitative thresholds or statistical analysis underlying these factors, and/or any weighting applied to each factor. Such information would enable market participants to assess the effects of transaction-level dissemination in different market conditions, and whether any changes to the framework may be appropriate.<sup>7</sup> Importantly, such information would also help market participants evaluate any proposed future enhancements,<sup>8</sup> particularly if they involve disseminating data on transactions in off-the-run or thinly traded Treasury securities.<sup>9</sup> As we have previously noted, most ICI members have concerns about the potential harms to funds and their investors of disseminating transaction-level data on these securities, which are generally less liquid.<sup>10</sup>

We appreciate the opportunity to provide input on FINRA's proposal. Please let us know if we and our members may be of assistance. If you have any questions, please feel free to contact me at [sarah.bessin@ici.org](mailto:sarah.bessin@ici.org) or Nhan Nguyen at [nhan.nguyen@ici.org](mailto:nhan.nguyen@ici.org).

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<sup>6</sup> Letter from Racquel L. Russell, Senior Vice President, Director of Capital Markets Policy, FINRA to Vanessa A. Countryman, Secretary, SEC (Dec. 14, 2023), available at <https://www.sec.gov/comments/sr-finra-2023-015/srfinra2023015-312299-815663.pdf>.

<sup>7</sup> We continue to recommend that FINRA incorporate into its public dissemination regime a mechanism or process that enables input from all market participants. This process should incorporate periodic review and re-evaluation of whether changes to the requirements are necessary or appropriate. See ICI Treasury RFI Letter at 10.

<sup>8</sup> FINRA states that it may consider future enhancements to transaction-level dissemination that include shortening the time delays for public disclosure, adjusting the proposed dissemination cap levels, and broadening the scope of US Treasury securities subject to transaction-level dissemination. FINRA Proposal at 77390-91.

<sup>9</sup> Providing this data would be consistent with the core principles guiding FINRA's economic impact assessments for its rulemakings. FINRA has stated that its proposed rule changes should be transparent about the "evidence or assumption[s] relied upon." See FINRA, *Framework Regarding FINRA's Approach to Economic Impact Assessment for Proposed Rulemaking* at 5 (Sept. 2013), available at [https://www.finra.org/sites/default/files/Economic%20Impact%20Assessment\\_0\\_0.pdf](https://www.finra.org/sites/default/files/Economic%20Impact%20Assessment_0_0.pdf).

<sup>10</sup> ICI Treasury RFI Letter at 8. We recommend that FINRA wait an appropriate period after implementing transaction-level dissemination of data for On-the-Run Nominal Coupons to assess its effect on the market and market participants before making any further enhancements to these requirements.

Ms. Vanessa Countryman

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Regards,

/s/ Sarah A. Bessin

Sarah A. Bessin  
Deputy General Counsel

cc: The Honorable Gary Gensler  
The Honorable Hester M. Peirce  
The Honorable Caroline A. Crenshaw  
The Honorable Mark Uyeda  
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